

CITY OF DURHAM, NORTH CAROLINA

Notes to the Combined Financial Statements
Year Ended June 30, 2001

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Durham have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City of Durham is a municipal corporation governed by an elected mayor and a twelve member council. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial operations with the City.

Blended Component Units

The Durham Risk Management Corporation ("DRM"), PO Box 51579, Durham, North Carolina 27717-1579, is a nonprofit corporation duly incorporated in the State, and validly existing and in good standing under the North Carolina Nonprofit Corporation Act, Chapter 55A of the General Statutes of North Carolina. Although legally separate from the City, DRM is reported as if it were part of the primary government because its sole purpose is to assist the City in carrying out its municipal and governmental functions through the provision of risk management and the administration of claims and is not engaged in any other activity and has no taxing power. All DRM activities are included in the Risk Retention Fund, which is an Internal Service Fund.

The New Durham Corporation ("NDC"), 3100 Tower Boulevard, Suite 1200 University Tower, Durham, N.C. 27717, is governed by a five member board of directors. Although legally separate from the City, the NDC is reported as if it were a part of the primary government because its purpose is to finance City revitalization projects and purchases of capital equipment. All NDC activities are included in the funds in which the activity takes place.

B. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. City resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into generic fund types and broad fund categories as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than those accounted for in capital projects, proprietary and fiduciary funds) that are legally restricted to expenditures for specified purposes. These funds are as follows:

Community Development Block Grant Fund - This fund is established to account for projects financed with Community Development Block Grant Funds that are used for revitalization of low and moderate income areas.

HOME Grant Fund - This fund is established to account for projects financed with HOME Grant Funds that are used for revitalization of low and moderate-income areas.

Downtown Revitalization Fund – This fund is established to account for all activities related to specific downtown revitalization projects.

Employment and Training Grants Fund - This fund is established to account for various agreements related to improving employment opportunities for under employed and unemployed individuals. The fund has been used to account for agreements under the Work Force Investment Act, Job Training Partnership Act between the N. C. Department of Economic and Community Development, the Division of Employment and Training and the City.

FEMA Grant Fund – This fund is established to account for natural disaster activities to which federal, state and other aid is contributed.

Public Safety Grant fund – This fund is established to account for various agreements to be used solely for law enforcement purposes to which federal, state and other aid is contributed.

Grants Fund - This fund is established to account for miscellaneous activities to which federal, state and other aid is contributed.

Capital Projects Funds - These funds are established to account for general capital projects, including major municipal buildings and public improvement projects financed principally with the proceeds of bond sales, certificates of participation and transfers from other funds. These funds are as follows:

Recreation and General Capital Projects Fund - This fund is established to track the capital improvements associated with the cultural and recreational endeavors of the City of Durham. The general capital projects component represents projects not otherwise classified below and acts as the fund balance account for past projects that have closed and had funds remaining.

Housing Projects Fund - This fund is established to track the City of Durham's affordable housing program. The projects included in this program are designed to assist and finance the rehabilitation of buildings and to assist in acquiring land for redevelopment, principally for the housing of persons of low and moderate income.

Street Projects Fund - This fund is established to track street, thoroughfare and mass transit improvements. Street projects are intended to construct new infrastructure or make significant improvements to the City's roadways and mass transit system.

Sidewalk Projects Fund - This fund is established to track new infrastructure and improvements to the City's sidewalk network.

General Projects Fund - This fund is established to track the construction, maintenance or expansion of miscellaneous small City facilities and grounds, operating systems and community buildings.

Municipal Buildings Projects Fund - This fund is established to track the construction, maintenance or expansion of many City municipal buildings and facilities to include 911 Center, Fire and Police facilities.

Eno Greenway Project Fund - This fund is established to track the construction of a 3.8 mile natural-surface trail which will allow urban residents easy off-road access to the natural lands along the Eno River. The Eno Greenway will be part of the Mountains-to-Sea Trail and the Circle the Triangle Trail.

Impact Fee Fund - This fund is established to account for impact fees until they are transferred to the Consolidated General Capital Projects Fund and expended for specific projects.

Proprietary Funds

Enterprise Funds - These funds operate under a rate structure designed to provide sufficient revenues to be self-supporting and are represented on the full accrual basis of accounting. These funds are as follows:

Water and Sewer Fund - This fund is established to account for revenues and expenses related to the provision of water and sewer services to the residents of the City and adjacent areas.

Parking Facilities Fund - This fund is established to account for revenues and expenses related to the operations of the City's parking lots and garages.

Transit Fund - This fund is established to account for revenues and expenses related to the operation of the bus system, which serves the City of Durham.

Solid Waste Disposal Fund - This fund is established to account for revenues and expenses related to the collection of solid waste and operation of the transfer station by the City for the use of residents of the City and Durham County.

Civic Center Fund - This fund is established to account for revenues and expenses related to the operation of the Civic Center in downtown Durham.

Ballpark Fund - This fund is established to account for revenues and expenses related to the operation of the Durham Bulls Athletic Park in downtown Durham.

Storm Water Management Fund - This fund is established to account for revenues and expenses related to storm water management including developing, monitoring, and inspection protocols and prioritization of drainage and flooding problems to initiate repair.

Parking Control Fund - The Parking Control Fund is established to account for revenues and expenses related to the issuance and collection of parking tickets. This fund was closed into the General Fund as of June 30, 2001.

Internal Service Funds - These funds are used to account for goods or services to other departments or agencies of the government on a cost reimbursement basis. They are presented on the full accrual basis of accounting. With the exception of the Risk Retention Fund all Internal Service Funds were closed into the General Fund as of June 30, 2001, see note 20. These funds are as follows:

Asset Management Fund - This fund is established to account for activities related to the maintenance of City buildings and grounds and the management of capital projects and real estate ventures. It also manages the two City cemeteries and the Durham Bulls Athletic Park. It receives funds for space rentals and administration and maintenance fees.

Cash Management Fund - This fund is established to maximize the City's investment income. The Treasury division is responsible for the City's cash management. It receives a fee from each fund for maximizing its share of the pooled investments.

Central Radio Lease Fund - This fund is established to account for revenues and expenses related to the 800 megahertz radio system. Revenues are received from the City departments leasing radios and using the radio system. Expenses are related to maintenance, repairs, and paying the debt related to the purchase of the radio system.

Centralized Fleet Fund - This fund is established to receive funds from various City departments to cover the operations and maintenance for City-owned vehicles. The equipment leased by this fund generates revenues to purchase and maintain vehicles so that the large expenses related to the purchased vehicles are incorporated in this fund instead of other funds that allows the cost to be spread evenly over a number of years.

Duplicating and Graphics Fund - This fund is established to provide services to the City departments relating to store supplies, printing and duplicating materials and services.

Employees' Health Benefits Fund - This fund is established to receive premium payments from the City for its employees and from the employees for their dependents and to fund claims administration expenses and premiums for excess coverage. This fund includes dental, mental health and employee assistance programs.

Information Systems Fund - This fund is established to coordinate the City's computer and electronic information requirements. It includes Technology Solutions, Geographic Information, Imaging, Networking Services and InfoTech Training. Computers are leased to users; other revenues are generated by maintenance, installations, training and user fees.

Risk Retention Fund - This fund is established to provide a source of funds for payment of the City's uninsured legal liabilities, including risks such as workers' compensation, automobiles, general operations and professional activities. Claim settlements, actuarial expenses, legal fees, administrative expenses and other professional services required for claim disposition are paid from this fund.

Fiduciary Funds

Trust and Agency Funds - These funds are established to account for assets held by the City in a fiduciary capacity as trustee or agent. These funds are as follows:

Non-expendable Trust Funds

Cemetery Perpetual Care Fund - This fund is established to account for the monies held to provide investment earnings to offset the cost of cemetery perpetual care.

Transit Trust Fund - This fund is established to account for the monies held to provide investment earnings to offset the transit operating deficit.

Pension Trust Fund

Law Enforcement Officers' Separation Allowance Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified law enforcement employees.

Account Groups

General Fixed Assets - This account group is established to account for the cost of all fixed assets acquired for general governmental purposes.

General Long Term Debt - This account group is established to record the City's liability for general obligation bonds, revenue bonds, certificates of participation, accrued compensated absences and capital leases issued for general purposes. The full faith, credit and taxing authority of the City are pledged for the repayment of the general obligation bonds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds, non-expendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets. As required for periods beginning after June 15, 2000 by Statement number 33 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Nonexchange Transactions, the City has begun recognizing capital contributions as revenue in the current year, rather than as contributed capital.

The City follows the modified accrual basis of accounting for all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The City recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when the eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with the prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Those revenues susceptible to accrual are intangibles tax reimbursement and investment income.

Licenses, charges for services and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

See Note 2 for property tax accrual policy.

The accrual basis of accounting is followed in all proprietary funds, non-expendable trust funds, and pension trust funds. Revenues are recognized in these funds when earned, and expenses are recognized when they are incurred. As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989, in its accounting and reporting practices for its proprietary operations, non-expendable trust funds, and pension trust funds.

D. Budgetary Data

The General Statutes of North Carolina require that the City adopt an annual balanced budget. The General Statutes also provide for balanced project ordinances for the life of projects, including both capital and grant activities, which are expected to extend beyond the end of the fiscal year.

Since project ordinance funds do not have annual budgets, but a single budget for the life of the project, budget and actual amounts for these funds have been omitted from the combined statement of revenues, expenditures and changes in fund balances - actual and budget. The Special Revenue Funds and Capital Projects Funds consist solely of funds with project ordinances and, therefore, are omitted from the combined statement of revenues, expenditures and changes in fund balances - actual and budget. The City Manager has the authority to transfer budgeted amounts between departments within any category; however, any revisions that alter the total appropriations of any function or fund must be approved by the City Council.

Budgetary control on expenditures and encumbrances is limited to departmental totals and project totals as specified in the budget ordinances.

The City Council officially adopts the annual budget ordinance prior to July 1 of each year and adopts project ordinances as necessary. The Council has the authority to amend such ordinances. The annual budget ordinance is prepared using the modified accrual basis of accounting. The General Fund officially adopts an annual budget, which is included in the combined statement of revenues, expenditures and changes in fund balances-actual and budget. Although General statutes and generally

accepted accounting principles do not require an annual balanced budget for enterprise funds, the Water and Sewer, the Parking Facilities Fund, the Parking Control Fund, the Transit, the Solid Waste Disposal Fund, the Civic Center Fund, the Ballpark Fund, and the Storm Water Management Fund do have legally adopted balanced annual budgets.

During the fiscal year, there were five amendments for budgeted operating funds totaling \$14,857,532 approved by the City Council as follows:

General Fund	\$ 5,644,489
911 Surcharge Fund	1,535,213
Water and Sewer Fund	4,538,168
Parking Facilities Fund	180,596
Civic Center Fund	28,997
Solid Waste Disposal Fund	85,850
Storm Water Management Fund	2,926,884
Ballpark Fund	6,603
Parking Control Fund	4,900
Transit Fund	(94,168)
	<u>\$ 14,857,532</u>

Appropriations, unencumbered and unauthorized for carry forward, lapse at each fiscal year-end. Appropriations for outstanding encumbrances and carry forwards are re-appropriated through the budgetary process.

Budgeted amounts in the accompanying statements are as originally adopted, as amended by the City Council, or as changed by approved transfer.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in all governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance. Funds to cover outstanding encumbrances are re-appropriated through the budgetary process. Encumbrances do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents/Investments

Pooled cash and investments are maintained and used by all funds.

Deposits

All deposits of the City are made in official depositories and are required to be collateralized by State statute. The City may designate as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and Super NOW accounts, money-market accounts and certificates of deposit.

All of the City's deposits are either insured or collateralized by using one of two methods. Under the dedicated method, all deposits over the federal depository insurance coverage are collateralized with

securities held by the City's agent in the City's name. Under the pooled method, a collateral pool, all unsecured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a Fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooled method must advise the State Treasurer of the adequacy of their pooled collateral covering uninsured deposits.

At year-end, the City's deposits had a carrying amount of \$13,421,036 and a bank balance of \$18,204,549. Of the bank balance, \$3,080,955 was deposited in a bank using the dedicated method of collateralization.

Of the balance in the bank under the pooling method, \$300,000 is covered by federal depository insurance. The remaining balance of \$14,823,594 is collateralized by securities set aside by the bank that are held by the City's agents.

Investments

The Local Government Budget and Fiscal Control Act of North Carolina governs all investments permitted to local governments. General Statutes authorize the City to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC registered mutual fund.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or its agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent, but not in the City's name.

	Category			Carrying Value	Fair Value
	1	2	3		
Commercial Paper	\$ 50,785,000	-	-	\$ 50,785,000	\$ 50,584,706
Bonds	3,728,076			3,728,076	3,924,107
U. S. Government Securities	17,710,127			17,710,127	18,648,716
Agencies	60,318,001			60,318,001	60,461,156
	<u>\$ 132,541,204</u>	<u>-</u>	<u>-</u>	<u>\$ 132,541,204</u>	<u>\$ 133,618,685</u>

Investments not subject to categorization

Investments held in pooled

cash or Mutual fund accounts	5,237,681	5,237,681
Total investments	\$ 137,778,885	\$ 138,856,366

Investments are stated at fair value.

Interest earned is distributed to the various funds based on each fund's proportionate equity in pooled cash and investments.

G. Inventories

Inventories held in the General Fund, Enterprise Funds, and Internal Service Funds consist primarily of expendable materials and supplies held for consumption. Inventories are stated using the weighted-average method (which approximates FIFO). Inventory items are considered expenditures/expenses when used, which is the consumption method of accounting.

H. Restricted Cash and Cash Equivalents/Investments

Restricted investments of the Risk Retention Funds are carried at fair value. The unexpended proceeds from revenue bonds in the Water and Sewer Utility Fund, the unexpended proceeds from certificates of participation agreements and revenue bonds in the General Fund, and the unexpended proceeds from certificates of participation agreements in the Risk Retention Fund are classified as restricted assets in the General Fund, Enterprise Funds, and Internal Service Funds because their use is restricted for the purposes for which the revenue bonds and certificates of participation agreements were originally issued.

I. Fixed Assets

Purchased fixed assets are stated at cost. Contributed fixed assets are recorded at estimated market value at the time received. Fixed assets for all funds, except the proprietary funds, are recorded in the General Fixed Assets Account Group. Major expenditures for plant, property and equipment and those major repairs, which increase useful lives, are capitalized. Capital outlay for the construction of streets, parks, water and sewer lines and other types of infrastructure expenditures are capitalized as land improvements. Maintenance, repairs and minor renewals are expensed as incurred. Public domain or infrastructure general fixed assets are not capitalized because such assets are immovable and of value only to the city. Also the city has elected not to capitalize interest costs that are incurred during the construction period of general fixed assets. There was no interest capitalized during the FY 2001. Depreciation is provided only for property and equipment of the Enterprise and Internal Service Funds over the estimated useful lives of the depreciable assets using the straight-line method. The useful lives used in calculating depreciation for land improvements and buildings and have been revised to more accurately reflect the life expectancy of the assets. Lives used in calculating depreciation are as follows:

Water and Sewer Fund

Land improvements	50 years
Buildings	40 years
Furniture, machinery and equipment	8-12 years
Computer equipment	3-5 years

Parking Facilities Fund

Land improvements	10 years
Buildings	30 years

Furniture, machinery and equipment	5-10 years
Transit Fund	
Land improvements	10 years
Buildings	25 years
Furniture, machinery and equipment	5-12 years
Solid Waste Disposal Fund	
Land improvements	25 years
Buildings	10-40 years
Furniture, machinery and equipment	5-10 years
Civic Center Fund	
Buildings	40 years
Furniture, machinery and equipment	5-10 years
Risk Retention Fund	
Furniture, machinery and equipment	5-10 years
Centralized Fleet Fund	
Buildings	40 years
Furniture, machinery and equipment	5-10 years
Storm Water Management Fund	
Land improvements	50 years
Furniture, machinery and equipment	5-10 years
Ballpark Fund	
Land improvements	25 years
Buildings	40 years
Furniture, machinery and equipment	5-10 years
Delinquent Collections Fund	
Furniture, machinery and equipment	5-10 years
Asset Management Fund	
Buildings	40 years
Furniture, machinery and equipment	5-10 years
Central Radio Lease Fund	
Buildings	40 years
Furniture, machinery and equipment	5-10 years
Duplicating and Graphics Fund	
Furniture, machinery and equipment	5-10 years
Information Systems Fund	
Furniture, machinery and equipment	5-10 years
Cash Management Fund	

Furniture, machinery and equipment

5-10 years

J. Deferred Income

As discussed previously, ad valorem taxes receivable are not recognized as revenue because they are not considered to be both "measurable and available." Property taxes that are measurable, but not available are initially recorded as deferred income. In addition, property taxes collected in advance of the fiscal year to which they apply are recorded as deferred income. The non-current portion of assessments receivable in the General Fund is recorded as deferred income because the amount is not considered to be available at the end of the fiscal year. The balance of deferred income at year-end is composed of the following elements.

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Taxes, assessments and other collected in advance	\$ 1,394,628	\$ -	\$ -	\$ -
Taxes receivable	3,502,060	-	-	52,270
Assessments receivable	695,229	-	-	-
Notes receivable	483,328	7,127,727	18,238,491	-
Other	<u>633,203</u>	<u>-</u>	<u>-</u>	<u>59,326</u>
Total deferred income	\$ <u>6,708,448</u>	\$ <u>7,127,727</u>	\$ <u>18,238,491</u>	\$ <u>111,596</u>

K. Fund Equity

Contributed capital and retained earnings were not separately accounted for in the Enterprise Funds prior to July 1, 1975. The \$32,469,596 balance for contributed capital/retained earnings represents the aggregate amount resulting from operations prior to the separate accounting for these components of fund equity.

The following funds had retained earnings deficits at June 30, 2001: Parking Facilities Fund \$2,556,848; Transit Fund \$2,115,436; Solid Waste Disposal Fund \$21,505,747; Civic Center Fund \$2,568,588; Ballpark Fund \$336,587; Risk Retention Fund \$9,696,971. The following funds had fund balance deficits at June 30, 2001: Street Projects Fund \$3,046,595, Municipal Building Projects Fund \$8,892,413 and Home Program Grants Fund \$317,677.

Fund balances are segregated into the following classifications:

Reserved for Encumbrances - represents commitments for the expenditure of funds under purchase orders and contracts.

Reserved for Durham Hosiery Mill - represents amounts reserved for future debt service on Durham Hosiery Mill project.

Reserved for Capital Expansion - represents commitments for the expenditure of funds for parks and recreation improvements, general annexation and street and thoroughfare improvements.

Reserved for Transit - represents the amount held in the Transit Trust Fund, the earnings on which are used to offset the transit operating deficit.

Reserved by State Statute - in certain governmental funds, a portion of fund balance is designated "Reserved by State Statute." These amounts represent the portion of fund balances applicable to various assets not yet realized in cash, which are not available for appropriation as defined by the General Statutes of North Carolina.

Reserved for Perpetual Care - represents the amount held in the Cemetery Perpetual Care Fund, the earnings on which are used to offset the cost of cemetery perpetual care.

Reserved water into trees - represents the amount that is a voluntary donation, it is accumulated when water utility bills are rounded up to the next dollar when paid.

Reserved for employees' pension benefits - represents the amount held in the Law Enforcement Officers' Separation Allowance Fund that is used for pension benefits for qualified law enforcement employees.

Designated for Subsequent Year's Expenditures - represents the amount of fund balance appropriated to the budget for the year ending June 30, 2001.

Undesignated - represents the amount of fund balance which is available for future appropriations.

L. Sick Leave

The City's sick leave policy provides for an unrestricted accumulation of earned sick leave. Upon termination of employment, accumulated sick leave is forfeited. Upon retirement, a certain portion of the accumulated sick leave may be used in the determination of length of service for retirement purposes. No obligation to the employer results from such application and therefore, no accrual has been made.

M. Vacation Pay

The vacation policy of the City provides for carrying forward up to 240 hours earned vacation leave on January 1 of each year with such leave being fully vested when earned. Accrued vacation hours in excess of 240 hours are automatically transferred to accrued sick hours on January 1 of each year. Earned but unused vacation leave of the governmental funds is recorded in the General Long-Term Debt Account Group while the liabilities of the Proprietary Funds are recorded in the funds themselves as accrued compensated absences.

All accrued compensated absences are treated as long-term debt. Due to low employee turnover, the current portion is considered to be immaterial.

N. Statements of Cash Flows

The City presents statements of cash flows in accordance with Statement No. 9 of the Governmental Accounting Standards Board, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting".

All cash and investments (including the restricted investments) of the proprietary and similar trust funds are either maintained in the City's general cash and investment pool or in separate cash and investment pools. Funds are available on demand from the pools. Accordingly, all cash and investments are considered cash and cash equivalents in the statements of cash flows.

O. Memorandum Totals

The "Memorandum Only" captions on the total columns mean that totals are presented for informational purposes only and do not fairly present the consolidated financial position or results of operations in conformity with generally accepted accounting principles.

Note 2 - Property Taxes

The Durham County Tax Administrator acts as agent for the City in listing, assessing and collecting all taxes related to real and personal property located in the City.

Taxes are levied on property assessed at 100% of the estimated actual value as of the year of revaluation. The City's tax rate may not exceed \$1.50 per \$100 assessed valuation for operating purposes without voted approval by the citizens of the City.

The property tax calendar is as follows:

Taxes are listed each January 1.

Liens may be placed on property January 1.

Taxes are levied each July 1, except for ad valorem taxes on certain vehicles

Taxes are due September of each year.

Taxes are considered delinquent after January 5 of the following year.

Penalties are applied to delinquent taxes at a rate of 2% in January and 3/4 of 1% per month for each month thereafter until collected or foreclosure proceedings are consummated. Use of garnishment and sale of taxable property are procedures used for collecting delinquent taxes.

The tax rate for debt service purposes is unlimited provided that the voters have approved the bonds issued or provided that the bonds issued during any year have not exceeded two-thirds of that fiscal year's net debt reduction.

Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Durham County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Durham. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Durham County from March 2000 through February 2001 apply to the fiscal year ended June 30, 2001. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2001-2002 fiscal year and are not shown as receivables at June 30, 2001. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are

reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2001 because they are intended to finance the City's operations during the 2002 fiscal year.

The taxes receivable in Exhibit 1 is shown net of an amount that is considered to be uncollectable. This amount is estimated using percentages based on the age of the receivable.

Note 3 - Notes Receivable

Notes receivable represent loans made by the City for housing, redevelopment or improvements to blighted areas of the City.

These notes receivable have varying interest rates and payment terms, with stated interest rates ranging from 0 to 8.75 percent and scheduled repayment dates through 2029. Some notes are payable in equal installments while others have balloon payments.

The City had the following notes receivable that were in default at June 30, 2001:

South East Durham Development Corp.	<u>\$ 858,311</u>
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Note 4 - Fixed Assets

General Fixed Assets Account Group:

A summary of changes in general fixed assets follows:

	Balance June 30, 2000	Additions	Disposals/ Transfers	Balance June 30, 2001
Land	\$ 17,954,583	\$ 3,001,625	\$ (11,444)	\$ 20,944,764
Land improvements	93,784,722	12,278,910	(299,833)	105,763,799
Buildings	51,723,243	1,576,410	6,654,796	59,954,449
Machinery, furniture and equipment	29,227,079	5,257,201	4,220,967	38,705,247
Construction in progress	<u>6,944,549</u>	<u>11,187,703</u>	<u>(600,201)</u>	<u>17,532,051</u>
	<u>\$ 199,634,176</u>	<u>\$ 33,301,849</u>	<u>\$ 9,964,285</u>	<u>\$ 242,900,310</u>

By Function:

General Government	16,891,752	7,082,562	1,722,904	25,697,218
Development	85,939,211	15,627,440	(1,115,284)	100,451,367
Public Protection	37,688,644	5,198,132	(2,088,877)	40,797,899
General Services	22,809,761	1,078,762	11,877,317	35,765,840
Recreation	<u>36,304,808</u>	<u>4,314,953</u>	<u>(431,775)</u>	<u>40,187,986</u>
	<u>\$ 199,634,176</u>	<u>\$ 33,301,849</u>	<u>\$ 9,964,285</u>	<u>\$ 242,900,310</u>

Note 5 - Long-Term Obligations

At June 30, 2001, long-term obligations were composed of the following:

General obligation bonds, issues dated 1976 to 2000 at stated interest rates of 4.6 - 6.6% and variable:	
General Government	\$ 83,058,287
Enterprise	136,461,713
Mortgage Revenue Bonds	5,135,000
Revenue Bonds, water and sewer system	
Series 1994, principal due annually through 2016, at stated interest rate of 4.75 - 5.90% and variable	12,985,000
Series 1998, principal due annually through 2018, at stated interest rate of 4.75 - 5.00% 4.50 - 5.90% and variable	15,110,000

Contracts payable

Certificates of Participation issued by New Durham Corporation

Series 1991, principal due annually through 2011, at stated interest rates 5.40 - 6.875%	7,760,000
Series 1991, principal due annually through 2011, at stated interest rates of 4.9 - 6.2%	275,000
Series 1992, principal due annually through 2014, at stated interest rates of 5.0 - 5.7%	1,005,000
Series 1995, principal due annually through 2015, at stated interest rates of 4.00 - 5.80%	7,875,000
Series 1996A, principal due annually through 2011, at stated interest rates of 3.75 - 5.25 %	2,525,000
Series 1996B, principal due annually through 2012, at stated interest rates of 3.75 - 5.25%	4,260,000
Series 1997B, principal due annually through 2017, at stated interest rates of 4.50 - 5.375%	5,825,000
Series 1998, principal due annually through 2013, at stated interest rates of 3.0 - 4.6%	7,845,000

Certificate of Participation issued by Durham Risk Management Corporation

Series 1993A, principal due annually from 2001 through 2007, at variable interest rate	20,800,000
Series 1993B, principal due in 2003, at variable interest rate	10,300,000

Capital leases	454,317
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Notes Payable

N. C. Department of Transportation

General long-term debt 734,476

State of North Carolina 9,750,000

Durham County 32,331,493

Accrued compensated absences 7,207,804**Total long-term obligations** \$ 371,698,090

The following is a summary of changes in long term obligations during the year ended June 30, 2001:

	Principal Outstanding June 30, 2000	Transfers and Additions	Transfers and Retirements	Principal Outstanding June 30, 2001
General long term debt				
General obligation bonds	\$ 70,004,238	\$ 17,194,000	\$ (4,139,951)	\$ 83,058,287
Mortgage Revenue bonds	5,185,000	-	(50,000)	5,135,000
Contracts payable	15,289,257	6,338,355	(867,612)	20,760,000
Capital Leases	-	454,317	-	454,317
Accrued compensated absences	5,407,927	906,623	-	6,314,550
Notes payable to N. C.	-	-	-	-
Department of Transportation	<u>59,541</u>	<u>-</u>	<u>(292)</u>	<u>59,249</u>
Total general long-term debt	<u>\$ 95,945,963</u>	<u>\$ 24,438,978</u>	<u>\$ (5,057,855)</u>	<u>\$ 115, 817,403</u>

Enterprise

General obligation bonds	\$ 138,375,762	\$ 7,716,000	\$ (9,630,049)	\$ 136,461,713
Revenue bonds	29,210,000	-	(1,115,000)	28,095,000
Contracts payable	17,705,000	-	(1,095,000)	16,610,000
Accrued compensated absences	805,934	87,320	-	893,254
Notes payable to N. C.				
Department of Transportation	<u>675,227</u>	<u>-</u>	<u>-</u>	<u>675,227</u>

Notes payable to State of North Carolina	10,500,000	-	(750,000)	9,750,000
Notes payable to Durham County	<u>31,530,120</u>	<u>804,435</u>	<u>(3,062)</u>	<u>32,331,493</u>
Total enterprise long-term obligations	\$ <u>228,802,043</u>	\$ <u>8,606,659</u>	\$ <u>(12,593,111)</u>	\$ <u>224,816,687</u>
Internal Service				
Capital Leases	\$ 638,359	\$ -	\$ (638,359)	\$ -
Accrued compensated absences	527,650	-	(527,650)	-
Contracts payable	<u>38,935,743</u>	<u>-</u>	<u>(7,835,743)</u>	<u>31,100,000</u>
Total internal service long-term obligations	\$ <u>40,101,752</u>	\$ <u>-</u>	\$ <u>(8,547,435)</u>	\$ <u>31,100,000</u>
Total long-term obligations	\$ <u>364,849,758</u>	\$ <u>33,045,637</u>	\$ <u>(26,198,401)</u>	\$ <u>371,698,090</u>

Future requirements to pay principal and interest on the general obligation bonds liabilities at June 30, 2001 follow:

<u>Fiscal year</u> <u>ending June 31,</u>	Principal	Interest	Total
2002	\$ 14,190,000	\$ 11,506,530	\$ 25,696,530
2003	14,205,000	10,775,405	24,980,405
2004	14,400,000	10,026,770	24,426,770
2005	14,590,000	9,263,600	23,853,600
2006	14,795,000	8,488,440	23,283,440
2007-2011	72,650,000	30,780,055	103,430,055
2012-2016	56,565,000	12,662,773	69,227,773
2017-2021	<u>18,125,000</u>	<u>1,996,775</u>	<u>20,121,775</u>
	\$ <u>219,520,000</u>	\$ <u>95,500,348</u>	\$ <u>315,020,348</u>

These debt obligations are backed by the full faith, credit and taxing power of the City. However, the principal and interest requirements of the Water and Sewer Utility Fund, the Parking Facilities Fund, Solid Waste Disposal Fund, the Transit Fund and the Civic Center Fund are intended to be repaid from the revenues of those funds. The following represent continuing authorization of general obligation bonds which were unsold at June 30, 2001.

Art and Museum	\$ 326,000
Housing	12,525,000
Park and recreational facility	9,103,000
Public Transportation	5,165,000
Streets	<u>25,563,000</u>
	\$ <u>52,682,000</u>

The City is subject to the Local Government Bond Act of North Carolina that limits the net bonded debt the City may have outstanding to eight percent of the appraised value of property subject to taxation. At June 30, 2001 such statutory limit for the City was \$790,065,529 providing a debt margin of approximately \$517,387,237.

Over the last three years, the City issued \$32,580,000 in revenue bonds to fund certain capital improvements in the Water and Sewer Fund. These obligations are not backed by the full faith and credit of the City, but only by net revenues, as defined, of the Water and Sewer Fund. The City is required to make monthly deposits with the trustee to cover annual debt service requirements.

Certain financial covenants are contained in the bond order. The most restrictive of these are the debt service coverage ratios, as defined. The first is that net revenues, as defined, must exceed 125% of the debt service requirements for all parity indebtedness, as defined. The other ratio is that net revenues less parity debt service expenditures must exceed 100% of all debt service requirements. The City was in compliance for the year ended June 30, 2001. Future requirements to pay principal and interest on the water and sewer revenue bonds liabilities at June 30, 2001, are as follows:

Fiscal year ending June 31,	Principal	Interest	Total
2002	\$ 1,170,000	\$ 1,481,828	\$ 2,651,828
2003	1,230,000	1,421,768	2,651,768
2004	1,300,000	1,357,758	2,657,758
2005	1,365,000	1,288,925	2,653,925
2006	1,420,000	1,212,773	2,632,773
2007-2011	8,230,000	4,480,043	12,710,043
2012-2016	10,910,000	2,289,130	13,199,130
2017-2018	2,470,000	186,750	2,656,750
	<u>\$ 28,095,000</u>	<u>\$ 13,718,975</u>	<u>\$ 41,813,975</u>

In prior years, the City defeased certain general obligation bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust accounts assets' and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2001, a total of \$3,960,000 outstanding certificates of participation are considered defeased. In the enterprise funds there is a deferred amount of \$525,291 not shown in the financial statements that is listed as debt outstanding, this is the difference between the book value and the acquisition price. This amount will be amortized over the life of the issue.

The City is also a party to urban redevelopment revenue bonds that were used to fund the acquisition and rehabilitation of the former Durham Hosiery Mill. Debt service requirements are met through rental income from Durham Hosiery Mill. Future requirements to pay principal and interest at June 30, 2001, are as follows:

Fiscal year ending June 31,	Principal	Interest	Total
2002	\$ 0	\$ 390,750	\$ 390,750
2003	0	390,750	390,750
2004	0	390,750	390,750
2005	0	390,750	390,750
2006	0	390,750	390,750
2007-2030	5,185,000	9,378,000	14,563,000
	<u>\$ 5,185,000</u>	<u>\$ 11,331,750</u>	<u>\$ 16,516,750</u>

The mortgage revenue bonds are secured by the property financed and are limited obligations of the City payable solely from rental income received from Durham Hosiery Mill and do not constitute general obligation debt or liability of the City.

In fiscal year 1997-98, the City was a party to a \$5,000,000 issue in Multifamily Housing Revenue Bonds. Proceeds from this sale were loaned to The Ivy Commons Limited Partnership to assist the company with the purchase, rehabilitation, and equipping of a 231 unit multifamily residential housing project. The proceeds will also fund a debt service reserve fund. The mortgage revenue bonds are secured by the property financed and payable solely from rental income received from the project. The bonds are limited obligations of the City and do not constitute general obligation debt or a liability of the City.

The City has contracts payable to New Durham Corporation with terms of twenty years and interest and principal payments due annually. Future requirements to pay principal and interest on the contracts payable to New Durham Corporation at June 30, 2001, follow:

Fiscal year ending June 30,	Principal	Interest	Total
2002	\$ 3,380,000	\$ 1,935,449	\$ 5,315,449
2003	3,565,000	1,758,719	5,323,719
2004	3,745,000	1,574,595	5,319,595
2005	3,925,000	1,383,629	5,308,629
2006	2,475,000	1,179,766	3,654,766
2007-2011	14,470,000	3,739,799	18,209,799
2012-2016	5,290,000	720,964	6,010,964
2017	520,000	27,950	547,950
	<u>\$ 37,370,000</u>	<u>\$ 12,320,871</u>	<u>\$ 49,690,871</u>

The City also has contracts payable to Durham Risk Management Corporation (DRM) with respect to the payment of two series of certificates of participation in aggregate amount of \$31,100,000 in principal. The certificates of participation provide funds to capitalize the City's Risk Retention Fund. The certificates bear interest at variable rates.

On October 1, 1993, DRM sold \$20,800,000 tax exempt certificates of participation, Series 1993A and \$10,300,000 taxable certificates of participation, Series 1993B, to finance the City's claims and risk management operations. Below is a schedule of when principal payments are due:

<u>Fiscal year ending June 30,</u>	1993 <u>Series A</u>	1993 <u>Series B</u>	<u>Total</u>
2002	\$ 11,000,000	\$ -	\$ 11,000,000
2003	4,800,000	-	4,800,000
2004	1,000,000	10,300,000	11,300,000
2005	1,000,000	-	1,000,000
2006	1,000,000	-	1,000,000
2007	1,000,000	-	1,000,000
2008	1,000,000	-	1,000,000
	<u>\$ 20,800,000</u>	<u>\$ 10,300,000</u>	<u>\$ 31,100,000</u>

Notes payable to Durham County (the "County") consist of a series of 20 year notes with final maturity dates ranging from 2010 to 2016. The notes were given to the County in exchange for certain water and sewer assets transferred to the City. The notes bear interest at 5.54 percent. Principal payments for each note are due based on the collections of certain assessments, frontage fees and water and sewer charges received by the City which are attributable to the related project. Given the uncertainty of the timing of these future collections, annual maturities for these notes are not determinable.

The City has various right-of-way and construction notes payable to the North Carolina Department of Transportation. A liability of \$59,249 for substantially completed projects is included in the General Long-term Group of Accounts, and a liability of \$675,227 is included in the Enterprise Funds.

The City has drawn down \$15,000,000 from the State of North Carolina to fund the North Durham Water Reclamation Facility upgrade and expansion project. Interest will accrue at 3.70% per annum on the unpaid principal. Future requirements to pay principal and interest to the State of North Carolina at June 30, 2001 follow:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 750,000	\$ 360,750	\$ 1,110,750
2003	750,000	333,000	1,083,000
2004	750,000	305,250	1,055,250
2005	750,000	277,500	1,027,500
2006	750,000	249,750	999,750
2007-2011	3,750,000	832,500	4,582,500
2012-2016	2,250,000	166,500	2,416,500
	<u>\$ 9,750,000</u>	<u>\$ 2,525,250</u>	<u>\$ 12,275,250</u>

The City has a line of credit that had not been drawn on during Fiscal Year 2001, it will have a twenty year promissory note from the North Carolina Drinking Water State Revolving Fund in the principal amount of \$2,700,000 at a rate of 2.87% per annum to provide funds to pay a part of the cost of a water project. Future requirements to pay principal and interest to the State of North Carolina follow:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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2002	\$ 135,000	\$ 103,497	\$ 238,497
2003	135,000	73,616	208,616
2004	135,000	69,741	204,741
2005	135,000	65,867	200,867
2006 - 2010	675,000	271,215	946,215
2011 - 2021	<u>1,485,000</u>	<u>255,717</u>	<u>1,740,717</u>
	<u>\$2,700,000</u>	<u>\$ 839,653</u>	<u>\$ 3,539,653</u>

Note 6 - Commitments

Leases

Computer equipment of approximately \$454,317 is recorded in the General Fixed Assets Account Group.

The City has commitments under noncancelable operating leases as of June 30, 2001 as follows:

Expenditures for operating leases for the year ended June 30, 2001 were \$184,042

Fiscal Year Ending June 30,	
2002	256,550
2003	119,558
2004	45,895
	<u>422,003</u>

Construction and Service Contracts

At June 30, 2001, the City has commitments outstanding for construction of capital projects totaling approximately \$23,163,402. The City also has commitments outstanding for service contracts totaling approximately \$7,294,557.

Note 7 - Employee Retirement Systems

The North Carolina Local Government Employees' Retirement System (System)

Plan description. All permanent full-time City of Durham employees contribute to the state wide Local Government Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. The LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.63%, respectively, of annual covered payroll. The contribution requirements are established and may be amended by the North

Carolina General Assembly. The City's contribution to LGERS for the years ended June 30, 2001, 2000, and 1999 were \$3,330,598, \$2,776,523, and \$2,830,816 respectively. The contributions made by the City equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan description

The City of Durham administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined pension benefit plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a standalone financial report and is not included in the report of a public retirement system or other entity.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2000, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits	37
Terminated plan members entitled to but not yet receiving benefits	
Active plan members	417
Total	<u>454</u>

Summary of significant accounting policies

Basis of accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments. Investments are reported at cost, which approximates fair value. Short-term debt, deposits, repurchase agreements, and North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at cost, which also approximates fair value.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$547,834 or 3.0% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The annual required contribution for the fiscal year ended June 30, 2001 was determined as part of the December 31, 1999 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.4% to 8.5% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include

post retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 1999 was 20 years.

Annual pension cost and net pension obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 439,799
Interest on net pension obligation	(69,350)
Adjustment to annual required contribution	<u>88,979</u>
Annual pension obligation	459,428
Contributions made	<u>547,717</u>
Increase (decrease) in net pension obligation	(88,289)
Net pension obligation beginning of year	<u>(956,548)</u>
Net pension obligation end of year	<u><u>\$ (1,044,837)</u></u>

3 Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/99	387,057	130.11%	(848,368)
06/30/00	419,083	125.81%	(956,548)
06/30/01	459,428	119.22%	(1,044,837)

Supplemental retirement income plan of North Carolina

Plan description. The City contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasure and a Board of Trustees. The plan provides retirement benefits to all law enforcement officers and any other employees who are currently members of a state-administered retirement plan and are eligible to participate in the Plan. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend the benefit provisions to the North Carolina General Assembly.

Funding policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. The City also contributes 5% of its full-time non-law enforcement employees' salaries to the plan. Contributions for the year ending June 30, 2001 were \$922,322 for law enforcement officers and \$2,575,072 for non-law enforcement employees. Voluntary contributions from all employees were \$1,668,487.

Deferred Compensation

All permanent City employees and elected officials may participate in a deferred compensation program designated as an Internal Revenue Code Section 457 plan. Voluntary contributions from all employees were \$608,111.

The City contributes to the deferred compensation plan for firefighters who do not have social security taxes deducted from their wages. The amount contributed is a match to the employee's contribution, the employee must contribute the required percentage to receive a City match. For fiscal year 2000-2001 the required percentage was 5%. The amount contributed by the City was \$454,339, which is for wages amounting to \$9,086,780. The required percentage will increase 1% each fiscal year until a 6% match is met.

Note 8 - Contributed Capital

The changes in contributed capital for the year ended June 30, 2001, are as follows:

Proprietary Funds:

	Balance June 30, 2000	Assessments	Transfers from other Funds	Depreciation	Balance June 30, 2001
Ballpark Fund	\$ 4,156,213	\$ -	\$ -	\$ -	\$ 4,156,213
Water and Sewer Fund	36,669,544	2,366,347	-	(2,382,347)	36,653,544
Parking Facilities Fund	718,426	-	-	-	718,426
Transit Fund	11,552,588	-	-	-	11,552,588
Waste Disposal Fund	1,777,077	-	-	-	1,777,077
Civic Center Fund	1,990,264	-	-	-	1,990,264
Stormwater Management Fund	280,580	-	507,780	-	788,360
Total	<u>\$ 57,144,692</u>	<u>\$ 2,366,347</u>	<u>\$ 507,780</u>	<u>\$ (2,382,347)</u>	<u>\$ 57,636,472</u>

Note 9 - Post-Retirement Benefits

Health Benefits

In addition to providing pension benefits, the City has elected to provide post-retirement health benefit to retirees of the City who elect to continue group health insurance until age 65. Eligibility for post retirement health insurance is limited to retirees who have not reached the age of 65 and have been a member of the group health plan for 90 days prior to the retirement date. The City currently provides a subsidy of 70% of the premium charged by the provider for retiree and eligible dependent health insurance. For disabled retirees, the City pays 100% of the premium for individual coverage for the 12 months following retirement, and supplements dependent coverage at retiree group rates. The disabled retiree has the option after the 12 month period to continue group health insurance until age 65 under the then current group retiree plan. Currently 339 retirees are participating in the plan. For the year ended June 30, 2001, the City remitted to providers approximately \$915,495 for health insurance premiums for retirees. The City also reimburses retired employees over 65 for health insurance acquired to supplement Medicare. At June 30, 2001 there were approximately 174 employees who were receiving reimbursements. The total reimbursements paid by the City for the fiscal year was \$187,912.

Death Benefits

For pre-1972 retirees, the City elected to provide them death benefits of \$1,000 through a group life insurance carrier. Currently, 3 retirees and 1 disabled retiree's coverage is equal to their annual salary at the time of retirement rounded to the nearest thousand dollars. The City paid \$441 in premiums for this

coverage. For all post-1972 disabled retirees, the coverage is equal to their annual salary at the time of retirement rounded to the nearest thousand dollars. Currently, 5 post-1972 retirees are covered by this benefit. The City paid \$779 for the year ended June 30, 2001 in premiums for this coverage.

Death Trust Plan

The City has elected to provide death benefits to law enforcement officers through the Death Trust Plan for Members of the Local Governmental Employee's Retirement System (Death Trust Plan), a State administered plan funded on a one year-term basis. Lump sum death benefits are provided to officers 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death. This payment is equal to the employee's 12 highest month salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000. Annually, the State sets the City's monthly contribution rate for death benefits. For the fiscal year ended June 30, 2001, the City made contributions to the state for death benefits of \$25,863 for law enforcement officers representing 0.14% of covered payroll.

Note 10 - Interfund Transfers

The following is a schedule of interfund operating transfers for the year ended June 30, 2001:

Operating Transfers To Other Funds

General Fund

To General Fund from:

Public Safety Grants Fund	\$	13,000
Water and Sewer Fund		92,761
Parking Control Fund		72,533
Risk Retention Fund		82,007
Total General Fund		<u>260,301</u>

Special Revenue Funds

To Employment and Training Grants Fund from:

General Fund	<u>191,606</u>
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To Public Safety Grants Fund from:

General Fund	<u>48,326</u>
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To Downtown Revitalization Fund from:

General Fund	<u>983,365</u>
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To Other Grants Fund from:

General Fund	114,724
Public Safety Grants Fund	15,953
Total Other Grants Fund	<u>130,677</u>
Total Special Revenue Funds	<u>1,353,974</u>

Capital Projects Funds

To Recreation and General Capital Projects Fund from:

General Fund	508,531
Other Grants Fund	225,000
Impact Fee Fund	1,652,360
Total Recreation and General Capital Projects Fund	<u>2,385,891</u>

To Street Projects Fund from:

General Fund	214,000
Recreation and General Capital Projects Fund	100,000
Impact Fee Fund	6,748,093
Total Street Projects Fund	<u>7,062,093</u>

To General Projects Fund from:

Recreation and General Capital Projects Fund	<u>514,486</u>
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To Municipal Buildings Projects Fund from:

General Fund	839,499
Recreation and General Capital Projects Fund	1,440,633
Total Recreation and General Capital Projects Fund	<u>2,280,132</u>

To Eno Greenway Project Fund

Impact Fee Fund	199,628
Total Capital Projects Funds	<u><u>12,442,230</u></u>

Enterprise Funds

To Water and Sewer Fund from:

General Fund	301
Solid Waste Management Fund	312
Storm Water Management Fund	417,000
Centralized Fleet Ownership Fund	376
Ballpark Fund	570,117
Total Water and Sewer Fund	<u>988,106</u>

To Parking Facilities Fund from:

General Fund	<u>1,224,053</u>
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To Transit Fund from:

General Fund	3,399,890
Transit Trust Fund	693,940
Total Transit Fund	<u>4,093,830</u>

To Civic Center Fund from:

General Fund	<u>231,304</u>
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To Ballpark Fund from:

General Fund	1,303,351
Recreation and General Capital Projects Fund	<u>500,000</u>

Total Ballpark Fund	1,803,351
Total Enterprise Funds	<u>8,340,644</u>
Internal Service Funds	
To Asset Management Fund from:	
General Fund	166,146
Parking Facilities Fund	98,353
Civic Center Fund	26,653
Ballpark Fund	52,029
Central Radio Lease Fund	79,661
Centralized Fleet Fund	110,783
Total Asset Management Fund	<u>533,625</u>
To Central Radio Lease Fund from:	
General Fund	<u>1,770,373</u>
To Information Systems Fund from:	
Water and Sewer Fund	<u>679,766</u>
To Risk Retention Fund from:	
Water and Sewer Fund	182,844
Storm Water Fund	12,415
Total Risk Retention Fund	<u>195,259</u>
Total Internal Service Funds	<u>3,179,023</u>
Fiduciary Funds	
To Transit Trust Fund from:	
General Fund	48,494
Ballpark Fund	48,494
Total Fiduciary Funds	<u>96,988</u>
Total Transfers to Other Funds	<u>\$ 25,673,160</u>

Operating Transfers From Other Funds

General Fund

From General Fund to:

Employment and Training Grants Fund	\$ 191,606
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Public Safety Grants Fund	48,326
Downtown Revitalization Fund	983,365
Other Grants Fund	114,724
Recreation and General Capital Projects Fund	508,531
Street Projects Fund	214,000
Municipal Buildings Project Fund	839,499
Water and Sewer Fund	301
Parking Facilities Fund	1,224,053
Transit Fund	3,399,890
Civic Center Fund	231,304
Ballpark Fund	1,303,351
Asset Management Fund	166,146
Central Radio Lease Fund	1,770,373
Transit Trust Fund	48,494
Total General Fund	11,043,963

Special Revenue Funds

From Public Safety Grants Fund to:

General Fund	13,000
Other Grants Fund	15,953
Total Public Safety Grants Fund	28,953

From Other Grants Fund to:

Recreation and General Capital Projects Fund	225,000
Total Special Revenue Funds	253,953

Capital Projects Funds

From Recreation and General Capital Projects Fund

Street Projects Fund	100,000
General Projects Fund	514,486
Municipal Buildings Project Fund	1,440,633
Ballpark Fund	500,000
Total Recreation and General Capital Projects Fund	2,555,119

From Impact Fee Fund to

Recreation and General Capital Projects Fund	1,652,360
Street Projects Fund	6,748,093
Eno Greenway Project Fund	199,628
Total Impact Fee Fund	8,600,081
Total Capital Projects Funds	11,155,200

Enterprise Funds

From Water and Sewer Fund to:	
General Fund	92,761
Information Systems Fund	679,766
Risk Retention Fund	182,844
Total Water and Sewer Fund	<u>955,371</u>
From Parking Facilities Fund to:	
Asset Management Fund	<u>98,353</u>
From Solid Waste Management Fund to:	
Water and Sewer Fund	<u>312</u>
From Civic Center Fund to:	
Asset Management Fund	<u>26,653</u>
From Ballpark Fund to:	
Water and Sewer Fund	570,117
Asset Management Fund	52,029
Transit Trust Fund	48,494
Total Ballpark Fund	<u>670,640</u>
From Storm Water Fund to:	
Water and Sewer Fund	417,000
Risk Retention Fund	12,415
Total Storm Water Fund	<u>429,415</u>
From the Parking Control Fund to:	
General Fund	<u>72,533</u>
Total Enterprise Funds	<u><u>2,253,277</u></u>

Internal Service Fund

From Central Radio Lease Fund to:	
Asset Management Fund	<u>79,661</u>
From Centralized Fleet Fund to:	
Water and Sewer Fund	376
Asset Management Fund	110,783
Total Centralized Fleet Fund	<u>111,159</u>
From Risk Retention Fund to:	
General Fund	<u>82,007</u>
Total Internal Service Funds	<u><u>272,827</u></u>

Fiduciary Funds

From Transit Trust Fund to:	
Transit Fund	<u>693,940</u>
Total Fiduciary Funds	<u><u>693,940</u></u>

Total Transfers From Other Funds	\$ <u>25,673,160</u>
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Note 11 - Interfund Receivables, Payables

Interfund receivables and payables balances at June 30, 2001 are as follows:

Interfund Receivables

Due from Community Development Block Grant Fund to General Fund	\$ <u>696,587</u>
Due from Home Program Grants Fund to General Fund	1,218,655
Downtown Revitalization Fund	<u>898,540</u>
Total due from Home Program Grants Fund	<u>2,117,195</u>
Due from Employment and Training Grants Fund to General Fund	<u>141,046</u>
Due from FEMA Grants Fund to General Fund	691,956
Public Safety Grants Fund	<u>358,868</u>
Total due from FEMA Grants Fund	<u>1,050,824</u>
Due from Other Grants Fund to General Fund	<u>771,326</u>
Total due from Special Revenue Funds	<u>4,776,978</u>
Due from Street Projects Fund to Recreation and Capital Projects Fund	1,734,222
Sidewalk Projects Fund	201,855
Water and Sewer Fund	<u>16,043</u>
Total due from Street Projects Fund	<u>1,952,120</u>
Due from Municipal Buildings Projects Fund to Housing Projects Fund	3,470,407
General Projects Fund	1,021,231
Eno Greenway Fund	199,628
Water and Sewer Fund	<u>3,606,932</u>
Total due from Municipal Buildings Projects Fund	<u>8,298,198</u>
Total due from Capital Projects Funds	<u>10,250,318</u>
Due from Ballpark Fund to Water and Sewer Fund	<u>594,241</u>
Total due from Enterprise Funds	<u>594,241</u>

Total Interfund Receivables Balance	\$ 15,621,537
Interfund Payables	
Due to General Fund from	
Community Development Block Grant Fund	\$ 696,587
FEMA Grants Fund	691,956
Home Program Grants Fund	1,218,655
Employment and Training Grants Fund	141,046
Other Grants Fund	771,326
Total due to General Fund from other funds	3,519,570
Due to Downtown Revitalization Fund from	
Home Program Grants Fund	898,540
Due to Public Safety Grants Fund from	
FEMA Grants Fund	358,868
Total due to Special Revenue Funds from other funds	1,257,408
Due to Recreation and Capital Projects Fund from	
Street Projects Fund	1,734,222
Due to Housing Projects Fund from	
Municipal Buildings Projects Fund	3,470,407
Due to Sidewalk Projects Fund from	
Street Projects Fund	201,855
Due to General Projects Fund from	
Municipal Buildings Projects Fund	1,021,231
Due to Eno Greenway Fund from	
Municipal Buildings Projects Fund	199,628
Total due to Capital Projects Funds from other funds	6,627,343
Due to Water and Sewer Fund from	
Municipal Buildings Projects Fund	3,606,932
Street Projects Fund	16,043
Ballpark Fund	594,241
Total due to Water and Sewer Fund from other funds	4,217,216
Total Interfund Payables Balance	\$ 15,621,537

Note 12 - Enterprise Funds - Segment Information

The City maintains eight Enterprise Funds that provide water and sewer, parking, parking enforcement, transit, landfill, civic center, storm water and baseball facility services. Segment information for the year ended June 30, 2001, is as follows:

(\$ 000 omitted)	Water and Sewer Fund	Parking Facilities Fund	Transit Fund	Solid Waste Disposal Fund	Civic Center Fund	Ballpark Fund	Storm Water Management Fund	Parking Control Fund	Total Enterprise Fund
Operating Revenues	\$ 39,463	\$ 1,182	\$ 2,220	\$ 9,178	\$ 444	\$ 295	\$ 5,015	\$ 489	\$ 58,285
Depreciation Expense	6,923	370	955	1,075	279	384	245	5	10,236
Operating Income/(loss)	5,032	(568)	(10,305)	1,409	(1,065)	(997)	20	(8)	(6,483)
Tax Revenues	-	-	-	-	998	-	-	-	998
Operating transfers (out)	(955)	(98)	-	-	(27)	(671)	(429)	(73)	(2,253)
Operating transfers in	988	1,224	4,094	-	231	1,803	-	-	8,341
Net Income/(Loss)	6,220	32	(1,170)	130	426	(278)	(62)	(76)	5,221
Additions to contributed capital:									
Assessments	2,366	-	-	-	-	-	-	-	2,366
Property and equipment -									
Additions	9,939	13	950	4,698	29	-	494	-	16,123
Working capital (deficit)	43,858	(336)	1,373	337	(1,072)	(725)	5,006	-	48,441
Total assets	302,033	8,905	11,562	22,363	10,032	12,942	6,767	-	374,604
Long-term liabilities	160,503	7,218	446	38,674	9,493	8,351	72	-	224,757
Total fund equity	117,442	862	9,437	(19,729)	(578)	3,820	6,407	-	117,661
Operating grants	-	-	4,296	-	-	-	-	-	4,296
Intergovernmental revenues	-	-	-	-	380	-	-	-	380

Note 13- Risk Management

The City is exposed to various risks of loss related to property, liability, personnel and income. During fiscal year 1994, the City reorganized its Risk Retention Fund into three internal service funds: Risk Reduction, Claims Payment and Asset Protection. For the benefit of these funds the City issued through the New Durham Corporation certificates of participation in the amount of \$31,100,000, the proceeds of which are to be used to run operations and pay claims.. For financial statement purposes these three related funds are combined. At the end of fiscal year 2001 the Risk Reduction Fund, the operations portion was transferred to the General Fund

The Risk Reduction Fund provided funds for the operational needs of the City's Risk Management Division, including funds for risk transferred by the purchase of insurance. The Claims Payment Fund provides funds for losses retained by the City, including claims paid to others and deductible amounts on otherwise insured losses. The City maintains the following deductibles or self insured retentions on insurance policies: \$350,000 per occurrence for vehicle and general liability, public official and law

enforcement liability and workers compensation, \$100,000 per loss for commercial property (\$5,000 on the Civic Center), \$25,000 per loss on boiler and machinery, \$2,500 per loss on money and securities, \$5,000 - \$1,000 per loss on inland marine property (computer hardware and 800 MHz radio system equipment), \$500 per loss on flood at West Point Mill and \$2,500 per loss on employee blanket bond (\$1,000 for peace officers) and individual public official bonds. The Asset Protection Fund is used to collect insurance premiums from all operating funds of the City except the Transit Fund. The amounts paid are based on historical cost information and actuarial estimates of the amounts needed to pay prior and current year claims and to have a reserve amount available to fund catastrophic losses.

The pending claims liability of \$6,895,958 reported in the fund at June 30, 2001 is based on the requirements of Governmental Accounting Standards Board Statement Number 10, which required that a liability for claims be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the funds claims liability follow:

	Beginning of Year	Claims, Fees and Changes in Estimates	Payments	End of Year
1999	\$ 10,385,799	\$ (315,662)	\$ 3,261,677	\$ 6,808,460
2000	6,808,460	4,040,340	3,975,800	6,873,000
2001	6,873,000	3,402,955	3,379,997	6,895,958

The City is self-insured for health and dental coverage for the majority of the City employees. Management has determined that the liability would not be material to the general purpose financial statements. Changes in the funds claims liability follow:

	Beginning of Year	Claims, Fees and Changes in Estimates	Payments	End of Year
1999	\$ 348,972	\$ 1,172,596	\$ 1,353,497	\$ 168,071
2000	168,071	1,002,814	1,018,780	152,105
2001	152,105	1,184,609	1,150,612	186,102

Note 14 - Closure and Postclosure Care Costs

The City owns a landfill site located in the northeast portion of the City. State and federal laws required the City to place a final cover on its Club Boulevard landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each June 30. The \$7,880,348 reported as landfill closure and postclosure care liability at June 30, 2001 is based on the use of 100% of the estimated capacity of the landfill.

The City closed the landfill December 31, 1997. The City will adjust the estimated amount to perform all closure and postclosure care as the amount changes. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. At June 30, 2001, the City had expended \$6,898,915 in closure costs for the Club Boulevard facility. The City has met the requirements of a local government

financial test that is an option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and postclosure care requirements.

Note 15 - Joint Ventures

Civic Center

The City and County determined that the construction of a civic center would stimulate private investment in and rejuvenate the downtown area of the City. The Shaner Hotel Group manages the operation of the civic center for the City and the County. The City and the County share all operating costs and all operating revenues equally. The County will continue to repay the City for their portion of the cost of construction with annual payments until the year 2006, at which time both the City and the County will each own 50% of the equity in the civic center. The current contract percentage of ownership by the County at June 30, 2001 is 43.0 %. The entire operation of the civic center is included in the Enterprise Funds section of this report. The County's current ownership in the civic center is presented as the minority interest in the Civic Center Fund.

Raleigh Durham Airport Authority

The Raleigh Durham Airport Authority is governed by an eight-member board, of which two members are appointed by the City of Durham. Wake and Durham Counties and the City of Raleigh each appoint two members. The City is not able to impose its will on appointed members. Each government contributes \$12,500 annually for administration of the Authority. The Authority possesses final decision-making ability and is solely responsible for the management, budget and fiscal operations of the Authority. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2001. Complete financial statements of the Authority may be obtained from the Authority's administrative offices at RDU Airport, North Carolina 27623.

Note 16 - Jointly Governed Organization

The City, in conjunction with other area local governments, is a member of the Research Triangle Regional Public Transportation Authority. The City and Durham County appoint one member each and jointly appoint a third member. The Authority possesses final decision making ability and is solely responsible for the management, budget, and fiscal operations of the Authority.

Note 17 - Related Organization

Durham Housing Authority

In accordance with the process outlined in the North Carolina General Statutes, as amended by local act, the City Council appoints members to the governing board of the Authority but is not able to impose its will on appointed members. Budgetary and financial management and fiscal operations of the Authority are totally the responsibility of the Authority. The City receives reports and makes recommendations as provided by State General Statute 157-27. The Authority has independent legislative and administrative authority.

Note 18 - Reclassifications

Certain amounts in the prior year statements have been reclassified to conform to current year classifications.

Note 19 - Federal and State Assisted Programs

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Note 20 – Residual Equity Transfers

Residual equity transfers between funds do not balance due to fixed asset and liability transfers into and out of the General Fixed Asset Account Group and transfers into the Long Term Debt Account Group. As of June 30, 2001 the Parking Control Fund, an Enterprise Fund and the following Internal Service Funds Asset Management Fund, Cash Management Fund, Central Radio Lease Fund, Centralized Fleet Fund, Duplicating and Graphics Fund, Employees' Health Benefit Fund, and Information Systems Fund were closed and transferred to the General Fund. All associated assets and liabilities, including debt related to assets were transferred into the General Fixed Asset Account Group and the Long term Debt Account Group respectfully. The transfers are as follows:

Transfers To Other Funds

General Fund

To General Fund from:

Parking Control Fund	\$	30,342
Asset Management Fund		(973,255)
Cash Management Fund		26,050
Central Radio Lease Fund		2,886,377
Centralized Fleet Fund		2,144,162
Duplicating and Graphics Fund		(27,518)
Health Benefits Fund		(642,324)
Information Systems Fund		(1,020,266)
Risk Retention Fund		19,827
Total General Fund		<u>2,443,395</u>

Capital Projects Funds

To Recreation and General Capital Projects Fund from:

Central Radio Fund		<u>6,063</u>
Total Transfers to Other Funds	\$	<u><u>2,449,458</u></u>

Transfers From Other Funds

Enterprise Funds

From the Parking Control Fund to:

General Fund	\$ 30,342
General Long Term Debt Account Group	(10,819)
Total Parking Control Fund	<u>19,523</u>

Internal Service Fund

From Asset Management Fund to:

General Fund	(973,255)
General Long Term Debt Account Group	(135,843)
Total Asset Management Fund	<u>(1,109,098)</u>

From Cash Management Fund to:

General Fund	26,050
General Long Term Debt Account Group	(1,038)
Total Cash Management Fund	<u>25,012</u>

From Central Radio Lease Fund to:

General Fund	2,886,377
Recreation and General Capital Projects Fund	6,063
General Long Term Debt Account Group	(22,527)
Total Central Radio Lease Fund	<u>2,869,913</u>

From Centralized Fleet Fund to:

General Fund	2,144,162
General Long Term Debt Account Group	(96,691)
Total Centralized Fleet Fund	<u>2,047,471</u>

From Duplicating and Graphics Fund to:

General Fund	(27,518)
General Long Term Debt Account Group	(5,211)
Total Duplicating and Graphics Fund	<u>(32,729)</u>

From Health Benefits Fund to:

General Fund	<u>(642,324)</u>
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From Information Systems Fund to:

General Fund	(1,020,266)
General Long Term Debt Account Group	(167,462)
Total Information Systems Fund	<u>(1,187,728)</u>

From Risk Retention Fund to:

General Fund	19,827
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General Long Term Debt Account Group	(37,840)
Total Risk Retention Fund	(18,013)
Total Internal Service Funds	1,952,504
Total Transfers From Other Funds	\$ 1,972,027

Note – 21 Subsequent Events

Revenue Bond Issuance

On July 31, 2001 the City of Durham issued Water and Sewer Utility System Revenue Bonds, Series 2001 dated July 15, 2001 in the amount of \$22,000,000. The bonds are being issued to the provisions of The Local Government Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, orders duly adopted by the City Council of the City, and resolution duly passed by the City Council. The bonds are being issued to provide funds, together with other available funds, to pay, or reimburse the City for paying, a portion of the costs of the acquisition and construction of certain improvements to the Water and Sewer Utility System of the City.

Certificates of Participation Issuance

On July 31, 2001 the City of Durham issued Certificates of Participation, (COPS) Series 2001 dated July 15, 2001 in the amount of \$23,660,000. The COPS are being issued to the provisions of The Local Government Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, orders duly adopted by the City Council of the City, and resolution duly passed by the City Council. The COPS are being issued to provide funds that will be used by the City to pay the costs of renovation of City Hall, acquisition, construction and equipping of a City maintenance facility and a new fire station and acquisition of a new pumper/ladder fire fighting vehicle and eleven garbage trucks.